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Message Text

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TO USMISSION GENEVA
INFO AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 107336

USMTN FOR MTN GENEVA

E.O. 11652: GDS

TAGS:ETRD,GATT,MTN,SZ,JA

SUBJECT:MTN REQUESTS ON JAPANESE SOFTWOOD LUMBER AND SOFT-
WOOD PLYWOOD

REFS; A. GENEVA 03686, B. STATE 043353

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1. THE USG NOW WISHES TO SUBMIT REQUESTS IN THE MTN FOR RE-
DUCTIONS IN JAPAN'S TARIFFS ON SOFTWOOD LUMBER AND SOFTWOOD
PLYWOOD AND FOR RESOLUTION OF PROBLEMS ARISING FROM DISPAR-
ITIES BETWEEN U.S. AND JAPANESE STANDARDS FOR THESE
PRODUCTS.

2. ACTION REQUESTED: U.S. DEL SHOULDCIRC;LATE TO THE
JAPANESE DEL A WRITTEN NOTICE OF THE TARIFF AND NONTARIFF
MEASURES DISCUSSED IN PARAS. 5-17, AND THE ACTION REQUESTED,
WITH AN EXPLANATION THAT THE UNITED STATES INTENDS TO DIS-

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CUSS THESE MATTERS IN BILATERALS WITH THE JAPANESE DEL.

3. IN THE TARIFF AREA, AS STATED IN TPSC 78-31, U.S. REQUESTS FOR TARIFF OFFER IMPROVEMENT BY JAPAN, THE USG BELIEVES THAT, QUOTE, JAPAN'S JANUARY TARIFF OFFER (BTN CHAPTERS 25-99) FAILED TO MEET THE FOUR GOALS ESTABLISHED BY THE STRAUSS-USHIBA COMMUNIQUE, UNQUOTE. IN THE WOOD

PRODUCTS AREA IN PARTICULAR, JAPAN'S LACK OF AN OFFER IS UNSATISFACTORY. IN TREATING FOREST PRODUCTS AS AGRICULTURAL, GOJ HAS NOT SUBJECTED THEIR TARIFFS TO GENERAL FORMULA REDUCTIONS. MOREOVER, BECAUSE NO ONE HAS REQUESTED JAPANESE TARIFF REDUCTIONS ON FOREST PRODUCTS UNDER GROUP AGRICULTURE PROCEDURES, JAPAN HAS MADE NO OFFERS ON SPECIFIC PRODUCTS. (REFTEL A).

4. IN TPSC 78-31, IT WAS RECOMMENDED THAT THE U.S. DEL, QUOTE, EXPLAIN THAT, WHILE THE U.S. REQUEST LIST DOES NOT COVER CERTAIN PRODUCTS IN BTN 25-99 NOTIFIED AS AGRICULTURAL PRODUCTS, THE UNITED STATES DOES PLAN TO MAKE REQUESTS FOR CONCESSIONS ON SOME OF THESE ITEMS, PARTICULARLY WOOD PRODUCTS, UNQUOTE.

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5. THE STRAUSS-USHIBA COMMUNIQUE INDICATES THATDEEPER-THAN-FORMULA CUTS ARE ONE METHOD THAT WILL BE USED IN ATTEMPTING TO ACHIEVE SECO. WE HAVE SELECTED WOOD PRODUCTS AS ONE OF THE AREAS WHERE SUCH CUTS WOULD BE APPROPRIATE. THE USG BELIEVES THAT NOW IS THE APPROPRIATE TIME TO SUBMIT THE FOLLOWING SUPPLEMENTAL REQUESTS TO BE MADE OF JAPAN UNDER GROUP AGRICULTURE PROCEDURES:
A.(1)TARIFF NUMBER: 4405310; (2) DESCRIPTION OF PRODUCTS: WOOD SAWN LENGTHWISE, SLICED OR PEELED, BUT NOT FURTHER PREPARED, OF A THICKNESS EXCEEDING 5MM: OF GENUS PINUS, NOT MORE THAN 160MM IN THICKNESS; (3) CURRENT DUTY: 10 PERCENT; (4) REQUESTED DUTY: ZERO.
B. (1) TARIFF NUMBER: 4405320; (2) DESCRIPTION OF PRODUCTS: WOOD SAWN LENGTHWISE; SLICED OR PEELED BUT NOT FURTHER PREPARED, OF A THICKNESS EXCEEDING 5MM: OF GENUS ABIES AND GENUS PICEA, NOT MORE THAN 160MM IN THICKNESS; (3) CURRENT DUTY: 10 PERCENT; (4) REQUESTED DUTY: ZERO.
C.(1) TARIFF NUMBER: EX 4415111; (2)DESCRIPTION OF PRODUCTS PLYWOOD, TONGUED, GROOVED, OR SIMILARLY WORKED ON ONE OR BOTH SIDES (EX SOFTWOOD); (3) CURRENT DUTY: 20 PERCENT; (4) REQUESTED DUTY: 8 PERCENT.
D.(1) TARIFF NUMBER: EX 4415119; (2) DESCRIPTION OF PRODUCT PLYWOOD, VARNISHED, PRINTED, OVERLAID OR SIMILARLY SURFACE-WORKED, N.E.S. (EX SOFTWOOD; (3) CURRENT DUTY: 20 PERCENT; (4) REQUESTED DUTY: 8 PERCENT.
E.(1) TARIFF NUMBER: EX 4415194; (2) DESCRIPTION OF PRODUCTS: PLYWOOD, NOT LESS THAN 6MM BUT LESS THAN 12MM IN

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THICKNESS, N.E.S. (EX SOFTWOOD); (3) CURRENT DUTY: 20 PER-
CENT; (4) REQUESTED DUTY: 8 PERCENT.
F.(1) TARIFF NUMBER: EX 4415195; (2) DESCRIPTION OF PRO-
DUCTS: PLYWOOD, NOT LESS THAN 12MM IN THICKNESS, N.E.S.
(EX SOFTWOOD) (3) CURRENT DUTY: 20 PERCENT; (4) REQUESTED
DUTY: 8 PERCENT.

G.(1) TARIFF NUMBER: 4418100; (2) DESCRIPTION OF PRODUCTS:
RECONSTITUTED WOOD IN SHEETS OR IN BOARDS; (3) CURRENT
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DUTY: 20 PERCENT (APPLIED: 15 PERCENT); (4) REQUESTED DUTY:
6 PERCENT.
H.(1) TARIFF NUMBER: 4418200; (2) DESCRIPTION OF PRODUCTS:
RECONSTITUTED WOOD, OTHER THAN IN SHEETS OR IN BOARDS;
(3) CURRENT DUTY: 15 PERCENT; (4) REQUESTED DUTY: 6 PERCENT

6. DEL SHOULD BE AWARE THAT WE ARE ALSO
INTERESTED IN TARIFFS ON 4413-300 AND 4415-191, BUT ARE NOT
PROPOSING REQUESTING THEM AT THIS TIME BECAUSE WE
ASSUME THE PRINCIPAL SUPPLIER CANADA, WILL DO SO. U.S. DEL
SHOULD DISCUSS WITH CANADA ANY GOC PLANS TO SUBMIT REQUESTS
OF JAPAN ON LUMBER AND WOOD PRODUCTS TARIFFS AND ADVISE
US AS TO CANADA'S PLANS.

7. IN 1976, THE UNITED STATES WAS THE PRINCIPAL MFN
SUPPLIER TO JAPAN OF ALL OF THE ITEMS LISTED ABOVE, EXCEPT
4405320 AND 4415195. IN 1976 AND 1977, THE USSR WAS THE
PRINCIPAL MFN SUPPLIER OF 4405320 AND FINLAND WAS THE PRIN-
CIPAL MFN SUPPLIER OF 4415195. THE UNITED STATES WAS A
MINOR SUPPLIER OF BOTH OF THESE ITEMS.

8. U.S. DEL SHOULD BE AWARE THAT PRODUCTS INCLUDED IN
4415194 AND 4415195 ARE HIGH PRIORITY ITEMS THAT ARE TIED
CLOSELY TO THE SOFTWOOD PLYWOOD STANDARDS PROBLEMS WITH
JAPAN. U.S. INDUSTRY ANTICIPATES THAT, IF THE STANDARDS
QUESTIONS ARE RESOLVED, IT WILL HAVE A STRONG OPPORTUNITY
TO EXPAND U.S. EXPORTS OF THE SOFTWOOD PLYWOOD PRODUCTS
FALLING IN THESE CATEGORIES. HOWEVER, THE DUTY WOULD
HAVE TO BE REDUCED IN ORDER TO MAXIMIZE THESE U.S. EXPORTS.

9. IT IS FURTHER NOTED THAT THE 4415195 CATEGORY IS A
BASKET CATEGORY THAT INCLUDES SOME HARDWOOD PLYWOOD
PRODUCTS. WE BELIEVE THE JAPANESE IMPORTS FROM KOREA ARE
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MOSTLY LAUAN PLYWOOD AND THOSE FROM FINLAND ARE BIRCH PLY-
WOOD, BOTH OF WHICH ARE HARDWOODS.

10. ALTHOUGH CURRENT EXPORT LEVELS FOR SOME OF THE PRO-

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DUCTS ARE SMALL, WE BELIEVE THAT A STRONG EXPORT POTENTIAL EXISTS FOR ALL OF THE ITEMS LISTED ABOVE; INDUSTRY SHARES THIS VIEW. EFFORTS HAVE BEEN UNDERTAKEN, PARTICULARLY BY THE U.S. INDUSTRY-GOVERNMENT FOREST PRODUCTS STUDY GROUP (REFTEL B), TO INCREASE JAPANESE CONSTRUCTION OF WESTERN-STYLE HOUSING IN JAPAN. IT IS ANTICIPATED THAT THE GROWTH OF JAPAN'S USE OF 2 X 4 TYPE CONSTRUCTION WILL DIRECTLY RESULT IN AN INCREASE IN JAPANESE DEMAND FOR ITEMS LISTED IN PARA. 5 ABOVE, INCLUDING 4415194 AND 4415195.

11. WITH RESPECT TO JAPANESE NTMS ON LUMBER AND PLYWOOD, STANDARDS RESTRICTIONS ARE THE MOST BURDENSOME. IN ADDITION TO STANDARDS COMPLAINTS RAISED BY U.S. ADVISORS AND CITED IN REFTEL B, CERTAIN JAPANESE STANDARDS ON WOOD PRODUCTS ALSO ARE OF SUCH MAGNITUDE THAT THEY SHOULD BE CONSIDERED FOR RESOLUTION IN THE MTN.

12. THESE JAPANESE STANDARDS DIFFER FROM THE MAJORITY OF THOSE CITED BY U.S. ADVISORS IN THAT THEY EFFECTIVELY BAR EXPORTATION OF A SPECIFIC PRODUCT TO A COUNTRY WHERE U.S. INDUSTRY BELIEVES IT COULD OTHERWISE HAVE A MAJOR MARKET. THE LIBERALIZATION OF TARIFF OR OTHER NONTARIFF MEASURES IN JAPAN WILL NOT IMPROVE THE U.S. COMPETITIVE SITUATION WITH REGARD TO THE PRODUCTS COVERED BY THESE STANDARDS AND THEREFORE THE U.S. WILL NOT PAY FOR SUCH CONCESSIONS IN THE MTN IF THESE STANDARDS PROBLEMS ARE NOT RESOLVED.

13. U.S. DEL SHOULD BE AWARE THAT THE STANDARDS PROBLEMS DISCUSSED HERE DO NOT REPRESENT THE UNIVERSE OF STANDARDS-RELATED NTMS ENCOUNTERED BY U.S. WOOD AND WOOD PRODUCTS INDUSTRY IN JAPAN. HOWEVER, WE BELIEVE THE REMAINING PRO-BLEMS, INCLUDING COSTLY MARKING AND LABELING REQUIREMENTS, CONFIDENTIAL

WOULD APPEAR TO BE THE KIND OF MEASURES THAT THE USG WOULD BE INTERESTED IN DEALING WITH UNDER THE PROVISIONS OF THE STANDARDS CODE.

14. AS NOTED IN REFTEL B, THE U.S./JAPANESE FOREST PRODUCTS STUDY GROUP MET IN TOKYO THE FIRST WEEK OF MARCH TO DISCUSS THE STANDARDS PROBLEMS IN JAPAN OF THE U.S. LUMBER AND PLY-WOOD INDUSTRIES. WHILE SOME PROGRESS WAS MADE AT THESE TALKS ON GRADING RULES FOR SOFTWOOD DIMENSION LUMBER CON-CERNING WANE AND NARROW FACE KNOT SIZE REQUIREMENTS, THE JAPANESE INDICATED THAT NO PROGRESS IS POSSIBLE AT THIS TIME ON SOFTWOOD PLYWOOD STANDARDS.

15. EVALUATION OF THE PROGRESS OF THE FOREST PRODUCTS STUDY GROUP SUGGESTS THAT IT IS NOW THE APPROPRIATE TIME TO ADD THE U.S. COMPLAINTS ON JAPANESE FOREST PRODUCTS STANDARDS TO THE U.S. LIST OF PROBLEMS FOR WHICH WE SEEK A RESOLUTION IN THE CONTEXT OF THE MTN. FYI: AMELIORATION OF STANDARDS

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PROBLEMS IS A KEY U.S. INDUSTRY OBJECTIVE IN THE MTN.
END FYI. THEREFORE, ALONG WITH THE TARIFF REQUESTS CITED
ABOVE, THE U.S. DEL SHOULD RAISE THE FOLLOWING STANDARDS
ISSUES IN THE BILATERAL NEGOTIATIONS.

16. LUMBER PROBLEM IN JAPAN: (A) TARIFF NUMBER: EX 4413;
(B) PRODUCT DESCRIPTION: SAWN LUMBER, SURFACED, (EX SOFT-
WOOD); (C) (1) NTM PROBLEM--JAPANESE AGRICULTURE AND

FOREST STANDARDS (JAS) GRADING RULES FOR SOFTWOOD DIMENSION
LUMBER ARE SIMILAR TO, BUT NOT IDENTICAL TO, U.S. RULES.
THE DIFFERENCES CAUSE DOWNGRADING OF AS MUCH AS 30 PER-
CENT FOR MATERIAL ACCEPTABLE IN THE U.S. THE DOWNGRADED
MATERIAL MAY BE SOLD IN JAPAN, BUT AT A MUCH LOWER PRICE
THAN COULD BE OBTAINED IN THE U.S. SPECIFIC PROBLEM AREAS
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INCLUDE SOME JAPANESE PROVISIONS FOR WHITE SPECK. (2)
ACTION REQUESTED: MODIFY JAS RULES TO ALLOW SAME GRADE
DESCRIPTIONS AS U.S. NATIONAL GRADING RULE FOR DIMENSION
LUMBER PROVIDED FOR IN U.S. PRODUCT STANDARD (P.S.) 20-70;
D. THE U.S. DEL SHOULD INDICATE THAT WE ALSO REQUEST A
COMMITMENT BY JAPAN IN THE MTN THAT THE GOJ WILL IMPLEMENT
THE SPECIFIC CHANGES DISCUSSED IN TOKYO WITH RESPECT TO
WANE AND KNOT REQUIREMENTS.
17. PLYWOOD PROBLEM IN JAPAN: (A) TARIFF NUMBER:EX 44.15;
(B) DESCRIPTION OF PRODUCTS: SOFTWOOD PLYWOOD; (C) (1)
NTM PROBLEM - JAS STANDARD FOR STRUCTURAL PLYWOOD EXCLUDES
USE OF D GRADE VENEERS AS DEFINED IN U.S. P.S. 1-74 AND
DIFFERS FROM P.S. 1-74 WITH RESPECT TO VENEER AND PANEL
THICKNESS TOLERANCES, CRITERIA FOR GLUE BOND TESTING,
PANEL LAYUP, ACCEPTANCE OF LIMITED DECAY (WHITE SPECK) AND
SIZE AND DISTRIBUTION OF SPLITS, KNOTHOLES, AND OTHER VOIDS
(2) ACTION REQUESTED: JAPANESE ACCEPTANCE OF PLYWOOD COM-
PLYING WITH ALL GRADES DESCRIBED IN U.S. PRODUCT STANDARD
1-74.

,8. FOR BACKGROUND USE OF THE U.S. MTN DEL, A COPY OF A
PAPER DONE FOR THE MARCH MEETING IN TOKYO, TITLED
"COMPARISON OF AMERICAN AND JAPANESE PLYWOOD STANDARDS"
WAS HAND-CARRIED TO GENEVA BY ROZANNE OLIVER.

19. AFTER SUBMISSION TO THE JAPANESE DEL OF THE ABOVE
TARIFF AND NTM REQUESTS, U.S. DEL MAY WISH TO SUGGEST
STANDARDS ISSUE DISCUSSIONS BETWEEN U.S. AND JAPANESE
TECHNICAL ADVISORS. SUCH DISCUSSIONS SHOULD BE VIEWED AS
AN OPPORTUNITY TO OBTAIN MEANINGFUL GOJ STANDARDS CON-
CESSIONS OF OVERRIDING IMPORTANCE TO U.S. INDUSTRY ON
WOOD AND WOOD PRODUCTS IN THE CONTEXT OF THE MTN.
-
20. U.S. DEL SHOULD BE AWARE THAT THE NEXT MEETING OF THE
U.S./JAPANESE FOREST PRODUCTS STUDY GROUP WILL NOT TAKE

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PLACE UNTIL MAY OF THIS YEAR. VANCE
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